

CITY OF DULUTH, MINNESOTA

TRUTH IN TAXATION PUBLIC HEARING 2011 PROPOSED BUDGET AND LEVY



DECEMBER 6, 2010

CITY OF DULUTH

Truth in Taxation Public Hearing

ANSWERS TO QUESTIONS YOU MAY HAVE

1. What is the City's budget review process?

The Mayor presents his proposed budget and levy in September to the Duluth City Council. The City Council's Finance Committee holds budget review sessions with City departments and authorities to discuss core service priorities and funding levels for the coming year. The Council also holds a Truth and Taxation hearing for the public in the beginning of December. The budget and property tax levy are approved after the public hearing.

2. What is the purpose of the Truth In Taxation Public Hearing?

The truth in taxation hearing is an opportunity for the public to provide comment on the City's proposed budget and property tax levy for the year 2011, prior to its approval.

3. How do I read my Truth in Taxation Statement I received in the mail?

The statement is a comparison of your actual 2010 tax bill with the proposed tax bill for 2011. The numbers are based on the property tax levy proposals by St. Louis County, the School District, other taxing districts, as well as the City of Duluth. It also factors in any changes in your property's market value and tax rate classification. The County mails these statements out to individual property owners. A "mock" statement is included in this packet on page 4, with an explanation of the various parts on page 5.

4. Who can I talk to about my property's market value?

The City Assessor's Office can answer your questions about market value. Their telephone number is 730-5190. Also, you can access property related information on the City Assessor's website. You can search for properties, view frequently asked questions and find some useful links. The address is: <http://www.duluthmn.gov/city/assessor>.

5. What is the City's maximum property tax levy that may be approved for 2011?

The city proposed a property tax levy of \$17,791,500 to the City Council in September. The City Council passed the levy as presented and certified to St. Louis County the maximum levy of \$17,791,500. In addition, the City, on behalf of the special taxing district of the Duluth Transit Authority is proposing levy amount of \$1,316,900. The total maximum levy amount for both entities is \$19,108,400.

6. How does the proposed levy for 2010 compare to 2011?

The **proposed final levy for the City is \$615,400 higher** than the 2010 approved levy. The tax rate will increase 2.9% for the specific purpose of financing the new law enforcement center. There is no tax rate increase proposed for general operations; and the levy is \$5.4 million below the maximum tax levy allowed by the State. Other increases in the levy will have no impact on the tax rate because they are comprised of increases from new growth.

The **Duluth Transit Authority's levy** is proposed at \$1,316,900 for the seventh year in a row.

7. What is the impact of this increase on the average homeowner?

As shown in the Truth in Taxation statement on page 6 of this packet, the owner of a \$159,400 median valued homestead, would experience an increase of \$8.38 per year for the City's portion of the tax bill.

8. What percent of my property tax bill goes to the City of Duluth?

The City of Duluth receives 22% of the total bill to fund the city's operations. St. Louis County receives 45% of the total; the School District receives 28%; and all other taxing districts including the Duluth Transit Authority receive 5 percent. This is shown graphically on page 3 entitled "Breakdown of 2011 Property Tax Levy."

9. What is the size of the entire City budget and how much did it change over last year?

The City's 2011 budget is proposed at \$285.3 million, for a decrease of \$12.1 million over 2010. The City's entire budget contains the General Fund, the Public Utilities of Water, Gas, Sewer, Stormwater, Steam, the Parking Fund, the Street Lighting Fund, the Golf Fund, Capital Projects Funds, Special Revenue Funds, Debt Service, and Internal Service Funds. Specific revenue and expense information is presented on page 8 entitled "Total Proposed City of Duluth Budget."

10. How big is the City's General Fund?

The General Fund, which funds many of the City's operations is proposed to be \$74.948 million in 2011, which is \$587,000 less or .8% less than 2010. A breakdown of the specific departments funded can be found on page 13 entitled "2011 General Fund Expenses."

11. What revenue sources fund the City's General Fund, other than the property tax?

The General Fund revenues include over 200 separate sources. The largest single source of revenue is Local Government Aid from the State of Minnesota at \$29.4 million or 39% of the total, followed by Sales Tax at \$11.0 million or 14.7% of the total. The property tax levied to support the General Fund totals \$11.5 or 15.3% of the total revenues in the General Fund. A revenue summary is shown on page 12 entitled "2011 General Fund Revenues."

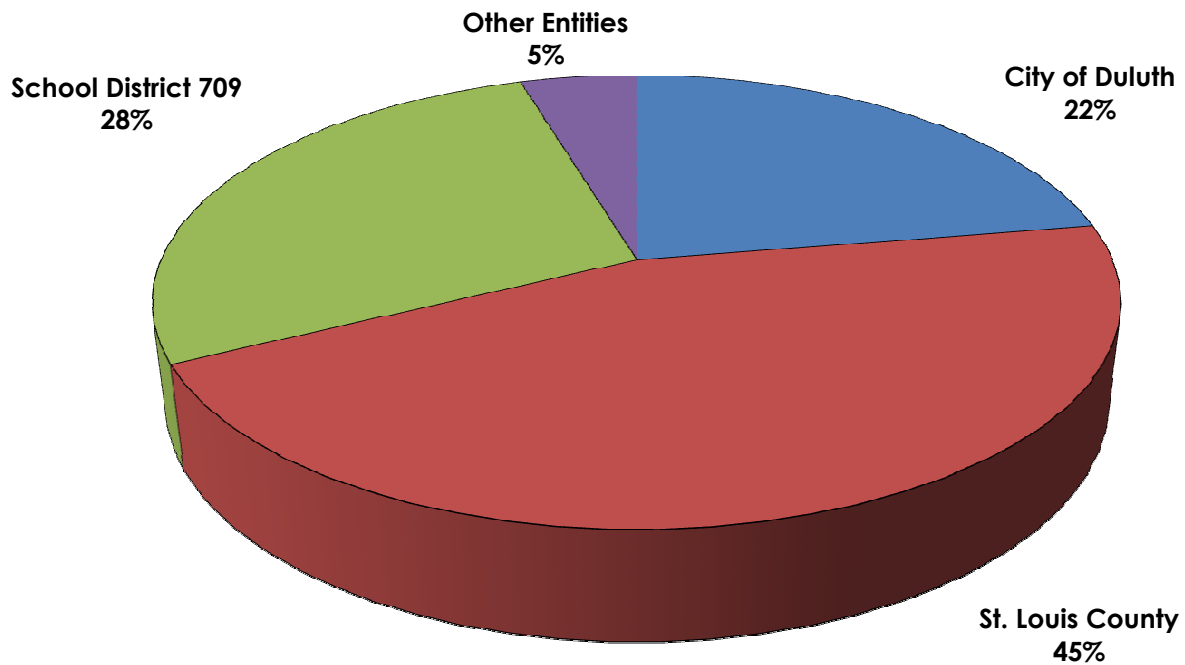
12. How many positions are budgeted in 2011?

There are 869.8 FTE's budgeted in 2011 – almost flat with 2010 at 870.6 FTE's. A summary of FTE's by department is shown on page 9.

City of Duluth Minnesota - 2011 Budget

Breakdown of 2011 Property Tax Levy

Based on the proposed levies of each taxing entity



Taxing Entity	2011 Proposed Levy	Percent of Total
City of Duluth	\$ 388.40	22%
St. Louis County	\$ 783.91	45%
School District 709	\$ 476.92	28%
Other Entities	\$ 80.36	5%
<hr/>		
Total Average Homestead Bill	\$ 1,729.59	100%
Based on Market Value of \$159,400		



AUDITOR
DONALD DICKLICH

100 N 5th Ave W. #214
Duluth Minnesota 55802-1293

Taxpayer #

DULUTH MN 55811

Your Proposed Property Tax for 2011 This is Not a Bill - Do Not Pay !

ST. LOUIS COUNTY, MINNESOTA
DONALD DICKLICH, AUDITOR

The taxable market values for property tax payable in 2011 were sent to you in the spring of 2010. The period to discuss possible changes has passed and changes can no longer be made to your property valuation. It is included here for your information only.

Sec: Two: 0 Rq: Lot: Blk: Acres

Property Class

2010	2011
RES HMSTD	RES HMSTD
165,000	159,400
0	0
1,650	1,594
Parcel Code	

Property Addr: Duluth

Taxable Mkt Value
New Imp
Tax Cap. Value

	(1) Actual 2010 Property Tax	(2) Proposed 2011 Property Tax
County of St. Louis:	798.82	783.91
CITY OF DULUTH	380.02	388.40
State General Tax:	.00	.00
School District 709		
Voter approved levies:	169.25	162.97
Other local levies:	288.89	313.95
Special Taxing District	81.60	80.36
Tax Increment Tax:	.00	.00
Fiscal Disparity Tax:	.00	.00
Total excluding special assessments	1,718.58	1,729.59
Percent change		.6 %

Your local units of government have proposed the amount of property taxes that they will need for 2011. Column (1) shows your actual 2010 property taxes. Column (2) shows what your 2011 property taxes will be if your local jurisdictions approve the property tax amounts they are now considering. Any upcoming referendums, legal judgments, natural disasters, voter approved levy limit increases, or special assessments could change these amounts. Your county commissioners, school board, and city council (if your property is located in a city over 500 population) will soon be holding public meetings to discuss their proposed 2011 budgets and proposed 2011 property taxes. (The school board will discuss the 2010 budget).

You are invited to attend these meetings to express your opinion. The meeting places and times are listed on the bottom of the page.

Also shown are the addresses and telephone numbers for these local units of government if you have comments or questions concerning the proposed property tax amounts shown on this notice. No meeting is required if a local unit of government is not increasing its property taxes for 2011 or if its increase is not above the rate of inflation. There is also no public hearing on the state general tax.

Budget and Tax Hearings: Locations and Dates

Mailing Addresses and Telephone Numbers:

ST LOUIS COUNTY
12/2/2010 6:00 PM COURTHOUSE VIRGINIA
12/9/2010 6:00 PM COURTHOUSE DULUTH

CITY OF DULUTH
12/06/2010 7:00 PM
CITY COUNCIL CHAMBER
CITY HALL 3RD FLOOR
DULUTH MN
SCHOOL DIST. 0709
12/21/2010 6:30 PM
OLD CENTRAL BD ROOM
215 N FIRST AVE E
DULUTH MN 55802

COUNTY ASSESSOR TEL: (218) 726-2304
100 N 5th AVE W
DULUTH MN 55802

DULUTH MAYOR'S OFFICE
411 W 1ST ST ROOM 403
DULUTH MN 55802
(218) 730-5309

BILL HANSON - CFO
215 N 1ST AVE E
DULUTH MN 55802
(218) 336-8704

This Is Not a Bill - Do Not Pay

TAX BILL FOOTNOTES

1. Classification changes can significantly impact an individual's property tax burden. For example, homestead properties are taxed at a different rate than non-homestead, seasonal, or commercial/industrial.
2. "Market Value" and "Tax Capacity Value" are used to apply the various tax rates against the property to figure the tax bill. An increase in both can occur due to new construction, reassessments, or through phased increases such as the "This Old House" program.
3. Columns (1) and (2) show the actual 2010 property tax for each taxing authority compared to the proposed 2011 property tax.
4. If the overall tax bill is significantly higher than the previous year's, the property taxpayer may file for a refund from the State of Minnesota. This can take the form of a rebate on increases over 12%, with a \$100 minimum increase; or the "circuit breaker" program based on ability to pay.
5. The City of Duluth's Truth in Taxation hearing is the first scheduled for the taxing entities in the area. The times and locations of the others, as required by law, are listed here.

2011 PROPOSED PROPERTY TAX LEVY

	2010 Approved Levy	2011 Proposed Levy	Change In Levy	% Change in Levy	% Change in Tax Rate
Tax Levy Proposal Impacting Tax Rate					
Law Enforcement Debt Levy		\$ 498,100	\$ 498,100	2.90%	2.90%
Levy with Tax Rate Impact	\$ -	\$ 498,100	\$ 498,100		2.90%
Tax Levy with no Tax Rate Impact					
General Operations	\$ 11,115,100	\$ 11,202,500	\$ 87,400		0.00%
Transit Bond	\$ 87,400	\$ -	\$ (87,400)		0.00%
Debt Service	\$ 5,401,500	\$ 5,401,500	\$ -		0.00%
New Growth Levy to General Operations		\$ 117,300	\$ 117,300	0.68%	0.00%
Permanent Improvement	\$ 422,100	\$ 422,100	\$ -		
Levy with no Tax Rate Impact	\$ 17,026,100	\$ 17,143,400	\$ 117,300		0.00%
Provision for Tax Delinquency	\$ 150,000	\$ 150,000	\$ -		
TOTAL PROPOSED TAX LEVY	\$ 17,176,100	\$ 17,791,500	\$ 615,400	3.58%	2.90%

CHANGE IN ANNUAL CITY PROPERTY TAX BILL AVERAGE HOMESTEAD of \$159,400

2010 City Property Taxes	\$ 380
2011 Proposed City Property Taxes	\$ 388
Proposed Annual Increase	\$ 8

2011 LEVY LIMIT INFORMATION

2011 Special Levies Available

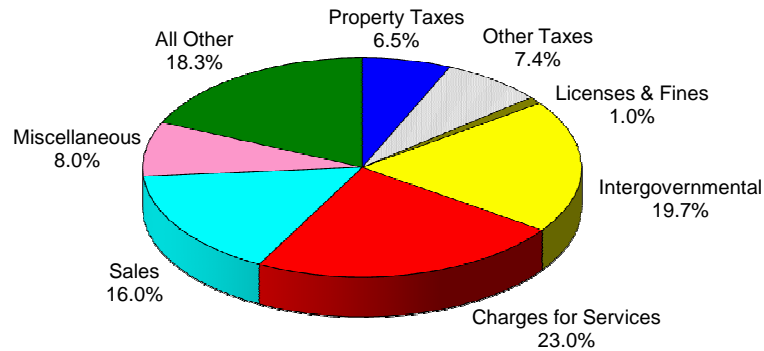
General Obligation Debt	\$ 3,318,100	
Capital Equipment Debt Certificates	\$ 2,598,700	
Public Employee Retirement (PERA)	\$ 384,300	
Public Safety (Fire & Police Salaries/Benefits over 2008)	\$ 1,593,300	
2010 LGA & MVHC Unallotment for general operations	\$ 5,198,300	
TOTAL SPECIAL LEVIES AVAILABLE		\$ 13,092,700
Overall Levy Limitation as certified by the State		\$ 10,155,735
Maximum Potential 2010 Levy		\$ 23,248,435
City of Duluth Proposed 2011 Levy	\$ 17,791,500	
AMOUNT UNDER LEVY LIMIT		\$ 5,456,935

SPECIAL TAXING DISTRICT APPROVED LEVIES

	2010 Approved Levy	2011 Proposed Levy	Change
Duluth Transit Authority	\$ 1,316,900	\$ 1,316,900	\$ -

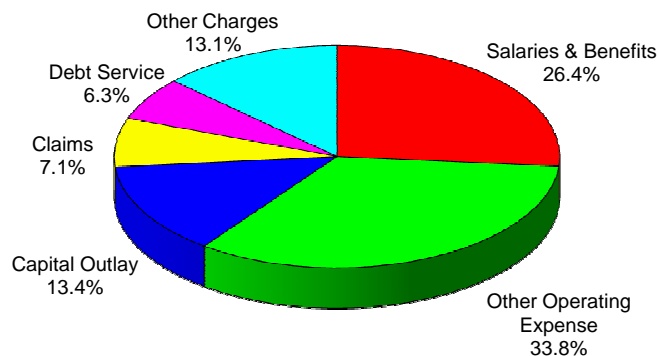
The Duluth Transit Authority is requesting the same property tax levy amount as 2010. The full levy authority granted in state statute would allow a levy request of \$3.98 million in 2011. The DTA is requesting \$1,316,900 for the seventh consecutive year.

2011 Revenues - All Funds



	2008 Actual	2009 Actual	2010 Budget	2011 Proposed
REVENUES				
Property Taxes	11,992,527	14,064,170	17,176,100	17,791,500
Other Taxes	20,435,224	20,613,965	20,843,100	20,225,000
Licenses & Fines	2,022,958	2,416,804	3,422,700	2,836,800
Intergovernmental	53,089,692	54,524,174	61,187,800	53,470,900
Charges for Services	53,321,838	58,465,369	60,807,200	62,626,400
Sales	57,434,235	44,941,587	51,702,300	43,383,600
Miscellaneous Revenue	36,345,386	21,968,895	23,788,200	21,847,700
All Other Sources	89,896,895	74,459,458	48,229,700	49,618,700
TOTAL REVENUES	324,538,755	291,454,422	287,157,100	271,800,600

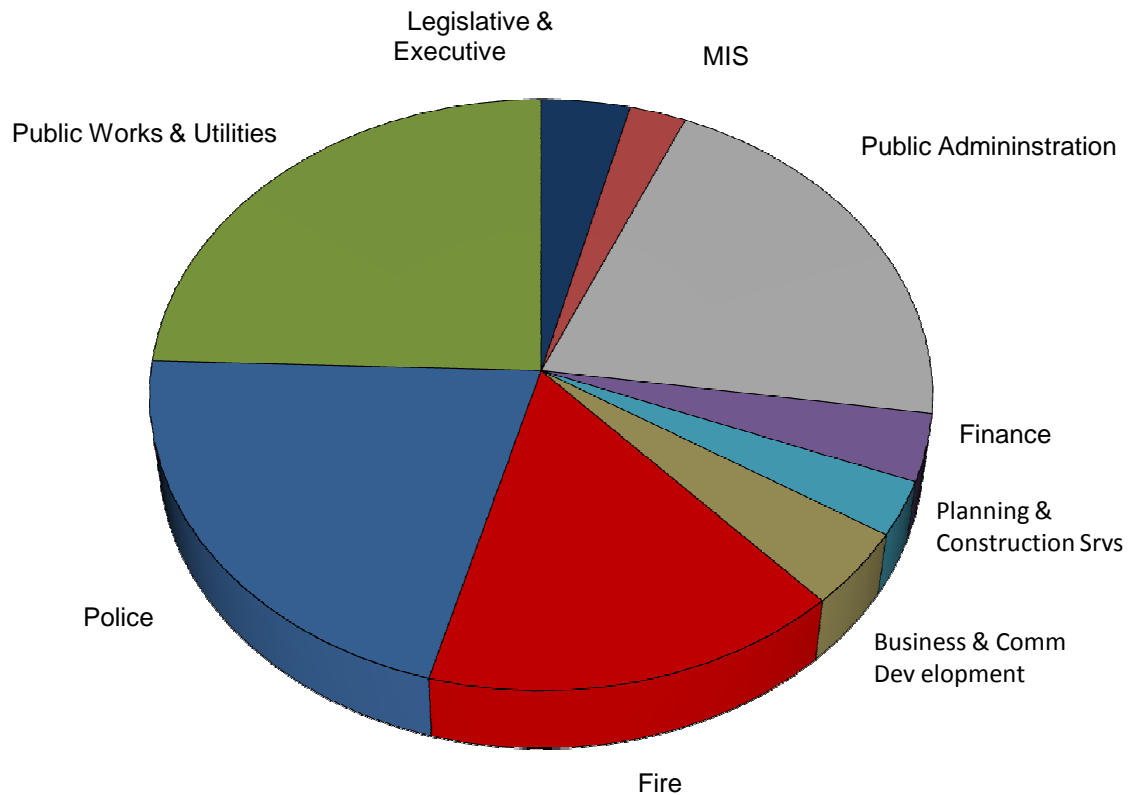
2011 Expenditures - All Funds



	2008 Actual	2009 Actual	2010 Budget	2011 Proposed
EXPENDITURES				
Salaries & Benefits	74,220,904	75,166,115	74,833,900	75,225,800
Other Operating Expense	110,788,830	93,089,557	102,435,600	96,333,000
Capital Outlay	18,675,904	35,118,317	45,746,000	38,239,319
Claims	18,261,931	21,290,375	21,840,100	20,120,200
Debt Service	17,158,613	20,389,023	14,570,000	18,067,900
Other Charges	24,486,496	37,207,003	38,024,500	37,328,700
TOTAL EXPENDITURES	263,592,678	282,260,390	297,450,100	285,314,919

2011 Proposed Personnel Summary

Permanent FTE's by Department



Department	2008 Budget	2009 Budget	2010 Budget	2011 Proposed	Difference 2009/2010
Legislative & Executive	30.00	36.00	34.00	34.50	0.50
Management Information System	16.00	18.00	24.00	22.00	-2.00
Public Administration	194.90	161.30	187.00	181.00	-6.00
Finance	34.00	32.00	31.00	32.00	1.00
Planning & Construction Svcs	31.00	30.00	24.00	26.00	2.00
Business & Comm Dev Rsrcs	27.00	25.00	35.00	36.50	1.50
Fire Department	134.00	135.00	140.00	140.00	0.00
Police Department	179.00	183.00	187.00	185.00	-2.00
Public Works & Utilities	209.80	202.60	208.60	212.80	4.20
TOTAL	855.70	822.90	870.60	869.80	-0.80

2011 Proposed General Fund Budget by Type in millions

	2009 Actuals	2010 Approved Budget	2011 Proposed Budget	Variance 2010 Approved Budget vs 2011 Proposed Budget	
				\$	%
REVENUES					
Property Tax	8.530	11.265	11.470	0.205	1.8%
City Sales Tax	10.775	11.315	11.000	(0.315)	-2.8%
All Other Taxes	2.604	2.014	2.024	0.010	0.5%
Payment in Lieu of Tax	4.208	3.612	3.614	0.002	0.1%
Local Government Aid	29.201	27.981	29.397	1.416	5.1%
Pension Aids	2.298	1.574	1.574	-	0.0%
All Other Intergovernmental	2.911	1.905	1.837	(0.068)	-3.6%
Charges for Services	3.459	3.449	3.301	(0.148)	-4.3%
Building Inspection Fees	1.562	2.435	1.920	(0.515)	-21.1%
Licenses and Permits	1.149	1.160	1.100	(0.060)	-5.2%
Fines	1.268	2.263	1.737	(0.526)	-23.2%
Earnings on Investments	1.944	0.840	0.465	(0.375)	-44.6%
Transfer from CIT Fund	1.895	0.805	0.510	(0.295)	-36.6%
Transfer from Parking Fund	1.179	1.383	1.452	0.069	5.0%
All Other Transfers	5.196	2.380	2.477	0.097	4.1%
Miscellaneous Revenues	1.485	1.154	1.070	(0.084)	-7.3%
Revenue Totals	79.664	75.535	74.948	(0.587)	-0.8%
EXPENSES					
SALARIES					
Permanent Salaries	37.082	38.768	38.612	0.156	0.4%
Overtime	1.539	1.350	1.476	(0.126)	-9.3%
Other Wages	0.170	0.471	0.575	(0.104)	-22.1%
Total Salaries	38.791	40.589	40.663	(0.074)	-0.2%
BENEFITS					
PERA	3.824	4.029	4.131	(0.102)	-2.5%
Payroll Taxes	1.613	1.795	1.864	(0.069)	
Employee Insurances	5.805	5.734	5.987	(0.253)	-4.4%
Total Benefits	11.242	11.558	11.982	(0.424)	-3.7%
OTHER EXPENSE/CAPITAL					
Supplies	2.951	3.172	3.496	(0.324)	-10.2%
Other Services and Charges	7.776	8.372	8.912	(0.540)	-6.5%
Utilities	1.128	1.639	1.514	0.125	7.6%
Retiree Insurance	8.833	9.091	7.204	1.887	20.8%
Police and Fire Pension Liability	3.824	-	-	-	
Capital	1.699	1.114	1.177	(0.063)	-5.7%
Total Other Expense	26.211	23.388	22.303	1.085	4.6%
Proposed Budget Expense Totals	76.244	75.535	74.948	0.587	0.8%

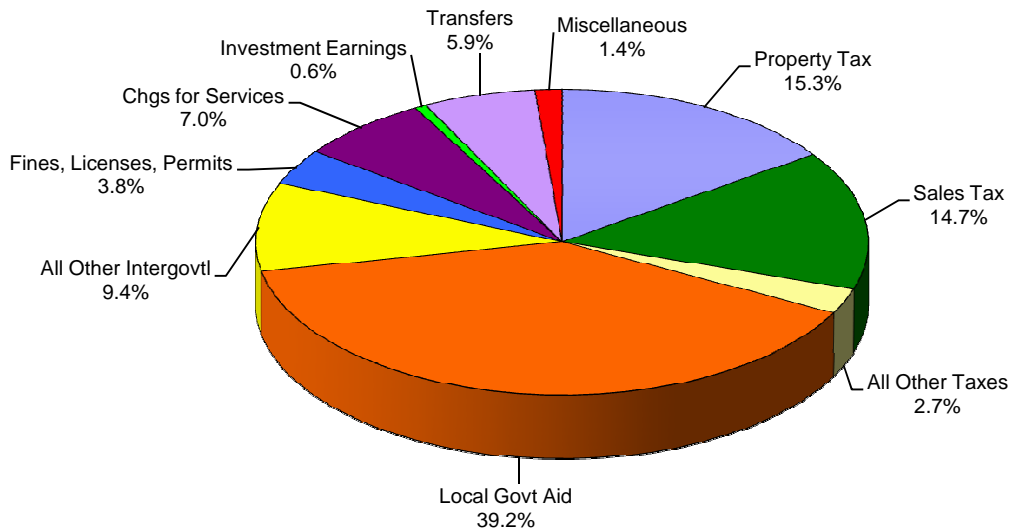
2011 Proposed General Fund Budget by Type

Bridge Schedule Outlining Variances over 2010 Approved Budget

	\$ Variance in Millions		Narrative
2010 Estimated Revenues		\$ 75.535	
Property Tax	0.205		Value of new construction and shifting of transit bond levy to general operations
City Sales Tax	(0.315)		Based on 2010 projected sales
Local Government Aid	1.416		2011 certified aid less 5%
Charges for Services	(0.148)		Adjustment to cost allocation charges
Building Inspection Fees	(0.515)		Adjustment from 2010 "red plan" and other construction
Fines	(0.526)		Administrative fines program has not yet met expected revenue levels
Earnings on Investments	(0.375)		Reduced portfolio
Transfer from CIT Fund	(0.295)		Reduced portfolio and lower interest rates
All Other Revenues	(0.034)		All other changes throughout
Total Revenue Changes		(0.587)	
2011 Estimated Revenues		\$ 74.948	
2010 Approved Expenses		\$ (75.535)	
Permanent Salaries	0.156		Full year effect of new hires; step increases; offset by 5.2 less FTE's
Overtime	(0.126)		Extra Duty pay for police overtime offset by revenues
Other Wages	(0.104)		Increases in Mtce Operations and Finance
PERA	(0.102)		Increases in employer contribution rates
Insurance and Payroll Taxes	(0.322)		Based on proposed staffing
Supplies	(0.324)		IT initiatives and cost of other supplies
Other Services and Charges	(0.540)		IT initiatives; building demolition and other services
Utilities	0.125		Energy savings
Retiree Insurance	1.887		Number based on actuary report
Capital	(0.063)		Net change from moving some tech purchases to bond; and slight increase in improvement budget. 2011 five year plan was \$2.74m - budgeted \$592k
Total Expense Changes		0.587	
2011 Proposed Expenses		\$ (74.948)	

City of Duluth Minnesota - 2011 Budget

GENERAL FUND REVENUES Percent of Total by Major Category

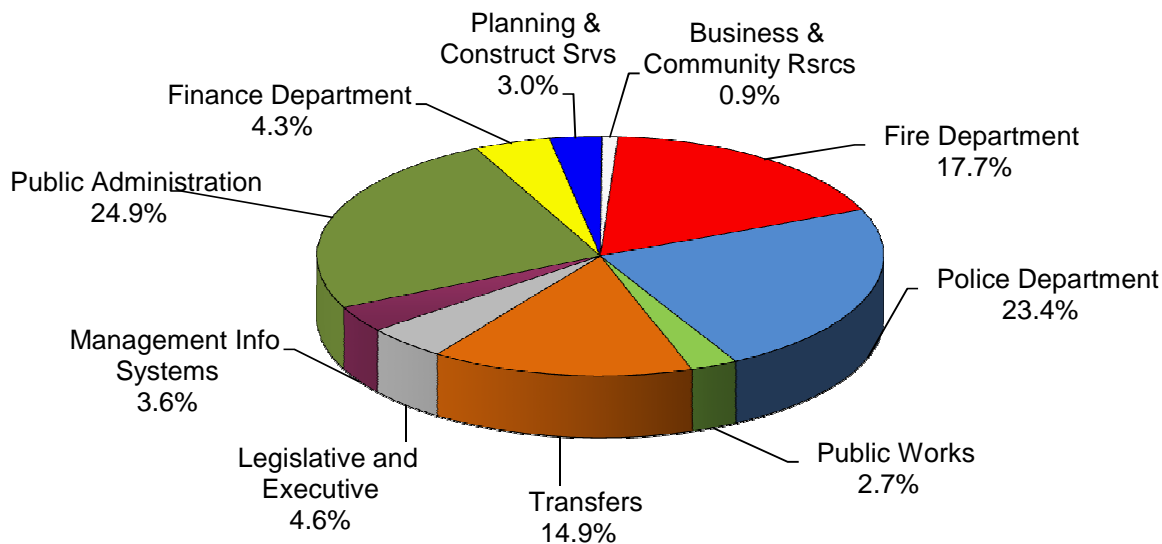


Property Tax - Current & Delinquent	\$	11,469,800
City Sales Tax	\$	11,000,000
All Other Taxes	\$	2,024,000
Local Government Aid	\$	29,397,200
All Other Intergovernmental	\$	7,025,300
Licenses and Fines	\$	2,836,800
Charges for Services	\$	5,221,400
Earnings on Investments	\$	465,000
Transfers from Other Funds	\$	4,439,300
Miscellaneous	\$	1,069,200
TOTAL 2011 REVENUES	\$	74,948,000

This graph shows the major categories of revenues expressed as a percent of total General Fund revenues estimated for budget fiscal year 2011. The City's policy of maintaining a diverse revenue base is reflected in the categories of revenues listed above, with almost 200 separate budgeted sources of revenue detailed within the Revenue Source Summary that follows this graph. Although the City does have a wide variety of revenues, the reader will note the City's relative dependence on Local Government Aid, which constitutes 39.2% of all General Fund revenues. For this reason, Local Government Aid is monitored closely at the State Legislature.

2011 GENERAL FUND PROPOSED EXPENSES

Percent of Total by Department



Legislative and Executive	\$ 3,464,900
Management Info Systems	\$ 2,675,700
Public Administration	\$ 18,638,000
Finance Department	\$ 3,244,900
Planning & Construct Svcs	\$ 2,226,400
Business & Community Rsrcs	\$ 677,600
Fire Department	\$ 13,254,900
Police Department	\$ 17,558,600
Public Works	\$ 2,006,400
Transfers	\$ 11,200,600

TOTAL 2011 EXPENDITURES \$ 74,948,000

This graph shows the General Fund Departmental budgets as a percent of the total General Fund expenditures for budget fiscal year 2010. The largest category of expense is public safety with the Police and Fire Departments comprising 42.8% of the total; followed by the Public Administration Department which includes the past departments of Finance and Administrative Services, as well as the Maintenance Operations division at 26.4%; Transfers Department with 18.2%; Community Resources which includes the past departments of Parks and Recreation, Library and Planning with 6.9%; Legislative and Executive with 3.2%; and the general fund portion of the Public Works and Utilities Department at 2.6%.